

Farm aid legislation . . . Cargill-Continental merger . . . Lower soybean prices . . . NAFTA update . . . Mexico's pork industry

Farm Aid Package Would Offset Low Crop Prices

The \$7.4-billion farm aid package passed by the U.S. Senate on August 4, 1999, was a response to this year's low field crop prices. The House of Representatives is expected to consider a similar measure after the August congressional recess, and if the aid is delivered before calendar yearend, the legislation would raise 1999 total net farm income well above last year's level and the average level of the 1990's. Drought relief is not part of the current Senate legislation, despite extremely dry weather affecting parts of the country, particularly the eastern U.S. The drought's impact on commodity receipts in 14 states is estimated at \$975 million, while the combination of shrinking receipts and higher expenses (e.g., additional feed purchases) could be as much as \$1.1 billion, according to a preliminary assessment by USDA's Economic Research Service.

Soybean Prices Plummet To Lowest in 27 Years

Farm prices for U.S. soybeans are expected to plummet to their lowest level since the 1972/73 marketing-year average as farmers confront the third consecutive year of record soybean crops. As supplies mount, prices are expected to fall to \$4.10-\$4.90 per bushel in 1999/2000 from \$5 per bushel last season. Compounding the impact of a bumper crop is the uncommon concurrence of weak prices and weak exports in 1998/99, nearly doubling U.S. ending stocks from a year earlier. Until world demand can work down large global stocks of soybeans and soybean products, U.S. producers will rely on government marketing assistance loan benefits to support their incomes.

Anatomy of a Merger: Cargill & Continental Grain

An agreement in October 1998 to combine two of the nation's largest grain trading businesses appeared to many observers to illustrate a disturbing trend: increasing concentration in agribusiness



leading to fewer marketing choices and lower prices for farmers. The Department of Justice, which decided a review of the merger was warranted, concluded after an investigation that the merger could proceed under certain conditions. Cargill and Continental were required to divest themselves of 10 elevators in 7 states, and the firms agreed to comply over the next few months. A review of the economic issues helps explain the outcome of the case.

NAFTA: The Record to Date

The North American Free Trade Agreement (NAFTA) has generally contributed to the expansion of U.S. agricultural trade with Canada and Mexico. Agricultural exports to these two countries have risen from an annual average of \$7.4 billion during 1989-93 to \$11.3 billion during 1994-98. For several U.S. agricultural exports, NAFTA has had a relatively large proportional impact, including beef and processed tomatoes destined for Canada, as well as cattle, dairy products, apples, and pears destined for Mexico. Agricultural imports from Canada and Mexico have also increased—climbing from an average \$6.2 billion during 1989-93 to \$10.5 billion during 1994-98. NAFTA has boosted U.S. imports of Canadian beef and Mexican peanuts more

than 15 percent. More general gains from the agreement include reorientation of trade in which regional, cross-border exchanges may replace less economical within-country exchanges.

U.S.-Mexico Sweetener Trade Mired in Dispute

Disagreement persists among the Mexican and U.S. sugar industries and the U.S. high-fructose corn syrup (HFCS) industry over interpretation of the North American Free Trade Agreement (NAFTA). While trade in sweeteners between Mexico and the U.S. was addressed directly by provisions of NAFTA, pressure on trade agreements has increased as these industries have grown, leaving the future of U.S.-Mexico sweetener trade uncertain.

1999 Apple Forecast: Smaller Crop, Higher Prices

USDA's August forecast for 1999 U.S. apple production is 10.6 billion pounds, down 7 percent from 1998 and 3 percent below the 5-year average. Reduced production is expected to lift apple prices for the 1999/2000 marketing season, but may also limit exports of fresh-market apples. Higher ending stocks of processing apples in 1998/99, and increased production in areas where processing apples account for a large share of output, raise prospects for U.S. apple juice and cider exports in 1999/2000.

The Changing Structure Of Mexico's Pork Industry

Rapidly changing swine production technology, intensified disease control measures, increased foreign trade activity, and economic and policy shocks over the past quarter of a century have combined to produce marked change in the Mexican pork industry. A joint study by USDA's Economic Research Service and Mexico's agriculture ministry examines developments in hog farm structure, slaughter infrastructure, vertical integration, and market efficiency, and their implications for the future of the industry in Mexico.